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FM SECSTATE WASHDC

TO AMEMBASSY BERN PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, SZ

SUBJECT:AMBASSADOR SCHNYDER CALLS TO DISCUSS PROBLEMS

REF: A) BERN 4457 B) BERN 4491

SUMMARY: DURING MEETING WITH DEPUTY ASSISTANT SECRETARY KATZ DECEMBER 3 SWISS AMBASSADOR SCHNYDER RAISED SWISS CHEESE, SWISSAIR CAPACITY TALKS, NESTLE-STOUFFER CASE, AND BROWN-BOVERI PROBLEMS. STATED PURPOSE OF CALL WAS TO SEEK SOLUTIONS AND NOT REGISTER COMPLAINTS. AMBASSADOR RAISED PROBLEM OF POSSIBLE LINKAGE THESE PROBLEMS AND OTHER ITEMS, BUT SAID HE WAS NOT UNDER INSTRUCTION TO BROACH THIS TOPIC. END SUMMARY.

1. AMBASSADOR SCHNYDER CALLED ON DEPUTY ASSISTANT SECRE-
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TARY KATZ AFTERNOON DECEMBER 3 TO DISCUSS FOUR TOPICS WHICH CURRENTLY CLOUD U.S./SWISS RELATIONS. HE STATED HE WAS RAISING ISSUES IN HOPES OF FINDING SOLUTION AND NOT BY WAY OF PROTEST. STATING THAT BERN HAD NOT INDICATED IT WANTS TO MAKE LINKAGE, AMBASSADOR THEN CATALOGUED NUMBER OF ISSUES THAT COULD BE AFFECTED BY CURRENT PROBLEMS. THESE INCLUDED U.S./SWISS JUDICIAL ASSISTANCE TREATY, SWISS PARTICIPATION IN IEP, SWISSAIR PURCHASE OF U.S. AIRCRAFT, SWISS PURCHASE OF NORTHROP MILITARY AIRCRAFT, AND SWISS ARMY PURCHASE OF \$45 MILLION IN U.S. EQUIPMENT.

HE SAID SWISS GOVERNMENT WANTS AVOID LINKAGE, BUT NOTED PROBLEM HAS ALREADY COME UP IN SWISS PARLIAMENT.

2. CHEESE. AMBASSADOR NOTED SMALL EXPORTS OF SWISS CHEESE (\$10 MILLION OR 0.4 PERCENT OF U.S. CONSUMPTION). WHILE PROBLEM SMALL IN MONETARY TERMS, IT IMPORTANT TO SWISS FARMERS. LOSS OF U.S. MARKET WOULD LEAVE ONLY EC AS MARKET FOR SWISS. U.S. MARKET IS SYMBOLIC AND LOSS WOULD PROVOKE STRONG REACTION OUT OF PROPORTION TO PROBLEM ITSELF. AMBASSADOR NOTED SWISS SUBSIDIES PAID ACROSS THE BOARD AS NATIONAL DEFENSE POLICY AND NOT SOLELY FOR EXPORT. HE EXPRESSED HOPE PROBLEM COULD BE RESOLVED WITHOUT RESORT TO CVD.

3. KATZ EXPRESSED UNDERSTANDING FOR SWISS PROBLEM, BUT POINTED OUT MANDATORY NATURE OF U.S. LEGISLATION. HE NOTED THAT DAIRY PROBLEM WAS POLITICAL IN U.S. AS WELL AS IN SWITZERLAND AND ADDED FACT THAT WE HAVE ALSO HAD COURT CASE ON EC DAIRY ISSUE. HE SAID TREASURY IS BEING VERY FAIR IN ITS TREATMENT AND SUGGESTED BEST COURSE FOR PRESENT WAS COOPERATION AND CONTINUED DISCUSSIONS.

4. SWISSAIR. AMBASSADOR LEFT COPY OF NOTE PREVIOUSLY PRESENTED. STATED SWISSAIR WANTS MAINTAIN POSITION DEVELOPED THROUGH HARD WORK AND GOOD MANAGEMENT. HE STRESSED NUMBER OF TOURISTS BROUGHT TO U.S. AND SWISSAIR PURCHASE OF U.S. EQUIPMENT AND ADDED OPINION THAT SWISSAIR PROBABLY BRINGS MORE MONEY INTO U.S. THAN IT TAKES OUT. TO REMOVE INCENTIVE TO CONTINUED DEVELOPMENT WOULD RESULT IN NET LOSS FOR U.S. AS WITH CHEESE, SWISSAIR PROBLEM LIMITED OFFICIAL USE

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COULD EVOKE EMOTIONAL REACTION. HE SAID SWISSAIR IS TALKING WITH TWA, HAS REDUCED SCHEDULES AND IS WILLING TO DISCUSS REDUCTIONS TO PROVIDE BETTER LOAD FACTORS.

5. KATZ SAID U.S./SWISS DISCUSSIONS ONLY PART OF MUCH LARGER EFFORT RATIONALIZE NORTH ATLANTIC TRAFFIC. HE POINTED TO SERIOUS DIFFICULTIES BOTH PAN AM AND TWA

AND NEED MAKE SOME ADJUSTMENT. HE NOTED AGREEMENT ALREADY REACHED WITH UK AND OTHERS AND URGED COOPERATIVE EFFORT DEAL WITH TOTAL PROBLEM. IN RESPONSE TO SCHNYDER STATEMENT, KATZ SAID WE DID NOT INTEND SOLVE U.S. PROBLEMS AT EXPENSE OF SMALLER COUNTRIES AND SUGGESTED WE CONTINUE FOLLOW QUESTION CLOSELY AND CONTINUE DISCUSSIONS ONCE TALKS WERE UNDERWAY.

6. NESTLE-STOUFFER CASE. AMBASSADOR THANKED DEPARTMENT FOR HELP IN NESTLE-LIBBY CASE AND SAID FTC STAFF NOW HAS RECOMMENDED FOLLOW-UP OF NESTLE PURCHASE OF STOUFFER.

HE SAID CASE SEEMED SMALL MATTER SINCE STOUFFER PRODUCED LUXURY ITEMS IN HIGHLY COMPETITIVE FROZEN FOOD MARKET. FTC CONCERN IS THAT WITHOUT PURCHASE STOUFFER, NESTLE WOULD HAVE MOVED LIBBY INTO FROZEN FOOD MARKET. NESTLE MAINTAINS IT TRIED DO JUST THAT AND WAS UNSUCCESSFUL. IT THEN PURCHASED STOUFFER. FTC CASE BASED ON LOSS POTENTIAL COMPETITION IS NEW CONCEPT AND IT UNFORTUNATE FOREIGN FIRM SELECTED TO TEST THEORY. NESTLE IS HAVING DIFFICULTY WITH U.S. OPERATION BECAUSE OF SUCH FTC ACTIONS AND PROBLEM HAS BEEN RAISED IN SWISS PARLIAMENT. HE EXPRESSED HOPE DEPARTMENT WOULD FOLLOW CASE CLOSELY.

7. KATZ SAID WE IN CLOSE TOUCH WITH FTC AND CONVINCED MATTER BEING WELL HANDLED. NESTLE ARGUMENTS ARE BEING TAKEN INTO ACCOUNT. HE SAID WE WOULD CONTINUE TO WATCH MATTER AND FOLLOW UP AS REQUIRED.

8. BROWN-BOVERI CASE. AMBASSADOR SAID HE DID WISH COMPLAIN OVER MANNER IN WHICH BROWN-BOVERI DUMPING CASE HANDLED. CASE AROSE IN 1970 AND BROWN-BOVERI HAS BEEN OUT OF U.S. MARKET SINCE THAT TIME. FINAL 1970 SHIPMENTS HAVE NOT YET HAD DUTY ASSESSED. HE ADDED THAT SWISS LIMITED OFFICIAL USE

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HAD HOPED CASE CLOSED, BUT NOW FIND AN EXPERT BEING SELECTED AND CASE REOPENED. HE ADDED THAT SWISS HOPED EXPERT SELECTED WOULD BE FAMILIAR WITH SWITZERLAND.

9. KATZ SAID CASE HAD INDEED GONE ON TOO LONG AND SWISS HAD GROUNDS FOR CONCERN. HE STRESSED THAT SELECTION OF EXPERT WAS NOT INTENDED REOPEN CASE, BUT WAS HONEST TREASURY EFFORT CONCLUDE CASE AS QUICKLY AS POSSIBLE. KISSINGER

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